



History of Blue Cross Blue Shield of Michigan and PA 350 of 1980

Presentation to House Insurance Committee

BCBSM is committed to Michigan

Michigan jobs:
BCBSM supports
over 7,000 jobs

Michigan cities:
97% of Blue
workforce is
located in the
downtown areas
of Detroit, Lansing
and Grand Rapids

*Michigan
economy:*
BCBSM has spent
over \$331 million
with Michigan
businesses in
2010

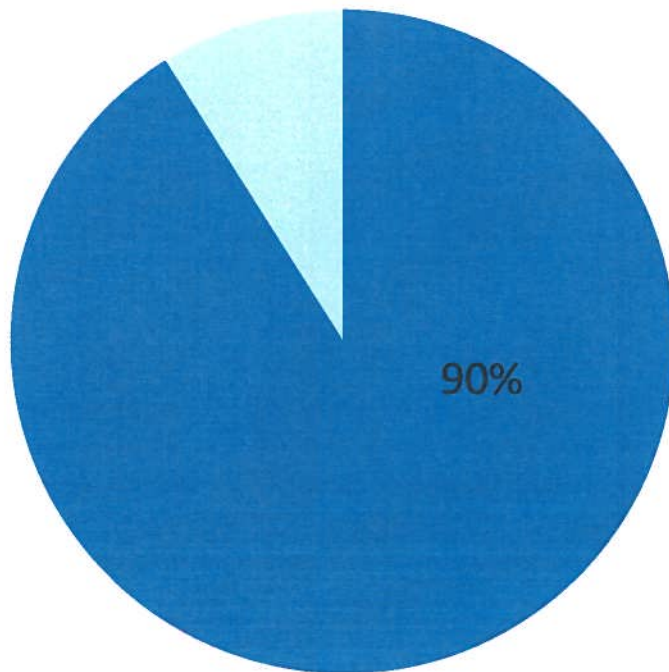
Michigan health:
Provides health
insurance to over
4 million
people regardless
of zip code

- BCBSM is a **Michigan company**, an **independent** licensee of the Blue Cross and Blue Shield Association, that represents our members to ensure they have access to the health care they need, when they need it and at a price they can afford.
- For the past 70 years, BCBSM has worked as a **committed partner** with health care providers, businesses, labor, state government and consumers to improve Michigan all around

BCBSM's goals are Michigan's goals:
Expanding Access, Controlling Health Care Costs, Improving Wellness,
and Strengthening Health Care Quality

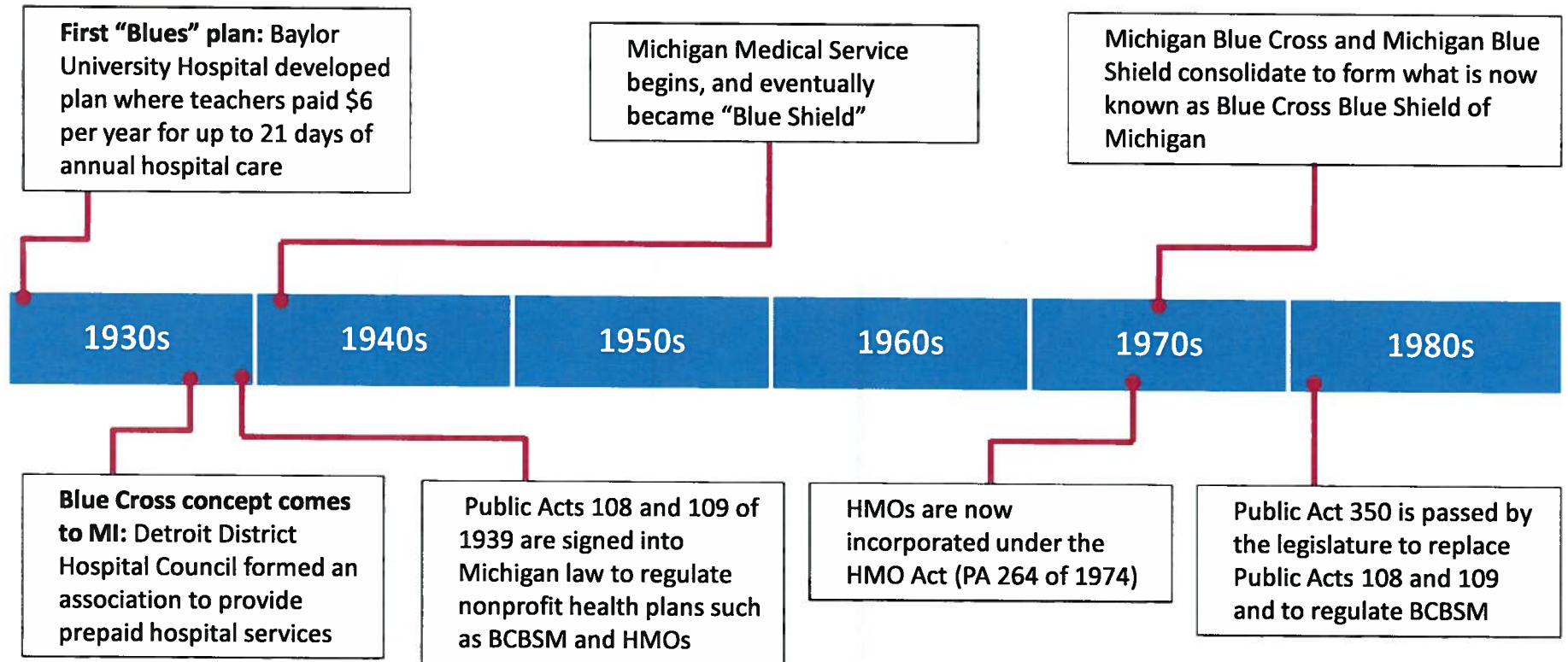
As a nonprofit, BCBSM pays a high percentage of premium dollars toward medical claims

Percent of BCBSM premiums collected used to pay claims, 2011



- 90 cents of every dollar received by BCBSM goes directly to hospitals, doctors and other providers across the state.
- BCBSM has lost money selling health insurance every year since 2006.

Evolution of Blue Cross Blue Shield of Michigan



The Blues began as an innovative concept to ensure people could access and afford health care when they needed it

Overview of PA 350

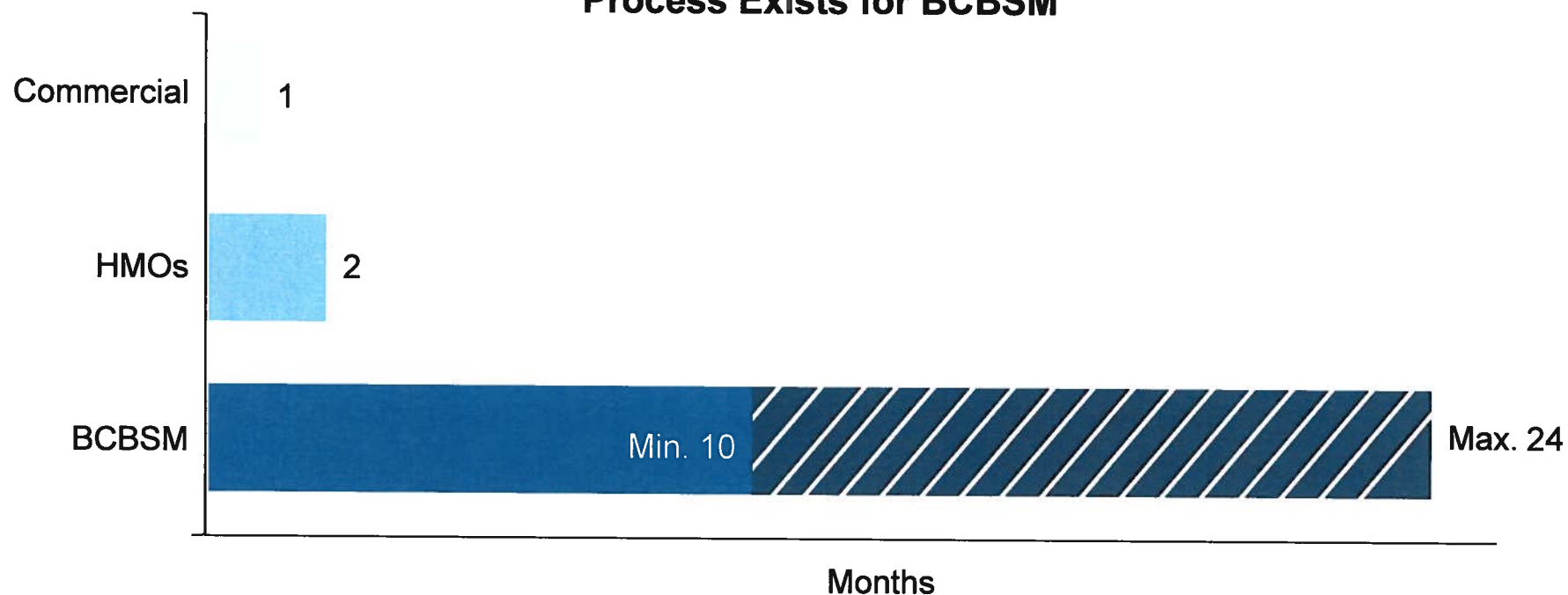
PA 350 establishes significant and numerous requirements of BCBSM that are not required of any other insurer.

Elements of PA 350

- Requires that BCBSM offer health care benefits to all residents of Michigan regardless of health condition (insurer of last resort)
- As with Health Maintenance Organizations (HMOs), it exempts nonprofit health care corporations from state and local taxes
- Specifically prohibits BCBSM from becoming a mutual or for-profit company
- The attorney general has the authority to challenge rates filed by BCBSM and review actions taken by BCBSM to determine if the action is compliant with PA 350
- Creates an extensive timeline and process for BCBSM to file rates with the commissioner and a process by which rates filed with the commissioner may be challenged

Key Elements of PA 350

A Different Rate Approval Process Exists for BCBSM



In 2006, it took 23 months for BCBSM to get a 12-month rate to market.

PA 350 Requirements – Nongroup Rate Filing Timeline

- BCBSM's Board of Directors must approve all rate filings prior to submission to the insurance commissioner.
- BCBSM must file with the insurance commissioner 120 days prior to the proposed effective date with information supporting that rate.
- Within 30 days after the rate is filed, the insurance commissioner must inform individuals who have requested to be informed of rate-filings in the past 2 years about the rate-filing.
- Within 30 days after the rate is filed, the insurance commissioner must also inform BCBSM whether or not the information provided with the rate is complete.

PA 350 Requirements – Rate Filing Timeline

- If the insurance commissioner determines that the information submitted is incomplete, then BCBSM has 10 days to provide the additional information necessary to complete the filing.
- The insurance commissioner then has 10 days after the receipt of the updated information to inform BCBSM whether or not the rate-filing is complete.
- If the rate-filing is still incomplete then the commissioner must again provide written notice to BCBSM or the insurance commissioner may visit BCBSM to obtain the appropriate information.
- Once the rate filing is deemed complete, BCBSM is also required to publish notice in at least 1 newspaper in each geographic region of the state. The attorney general, OFIR staff and subscribers have 60 days after the notice is published to request a hearing.
- Within 60 days after the rate is filed, the insurance commissioner must “approve, approve with modifications, or disapprove” the proposed rate.

UNLESS... a person with standing, which include subscribers and the attorney general, requests a hearing on the rate.

PA 350 Requirements – The Rate Hearing Process

- Within 15 days after an individual or the attorney general requests a rate hearing, the insurance commissioner must appoint an independent hearing officer.
- Within 30 days, but no sooner than 15 days, the hearing shall begin. Historically, the hearing is considered to begin with a prehearing conference. The actual hearing begins three to four months later.
- Each party to the rate hearing must be given a “reasonable opportunity for discovery.” **There are no timelines given to establish how long a “reasonable opportunity” should take.**
- The hearing must be conducted according to the Administrative Procedures Act and in an “expeditious” manner.
- The burden of proof is on BCBSM to establish that the proposed rates are equitable, adequate and not excessive.
- At the conclusion of the hearing, the parties file briefs and reply briefs. Following submission of briefs, the hearing officer must render a “proposal for decision.”
- After the “proposal for decision” is issued, the parties have the opportunity to submit exceptions to the PFD.

PA 350 - The Rate Filing Timeline

- Within 30 days after receiving the hearing officer's "proposal for decision" and any exceptions to the proposal, the insurance commissioner must render a decision which includes a statement of findings. The insurance commissioner is not required to accept the recommendation of the hearing officer.
- The insurance commissioner is required to withdraw an order of approval or approval with modifications if the commissioner finds that the rate filing no longer meets the requirements of PA 350.

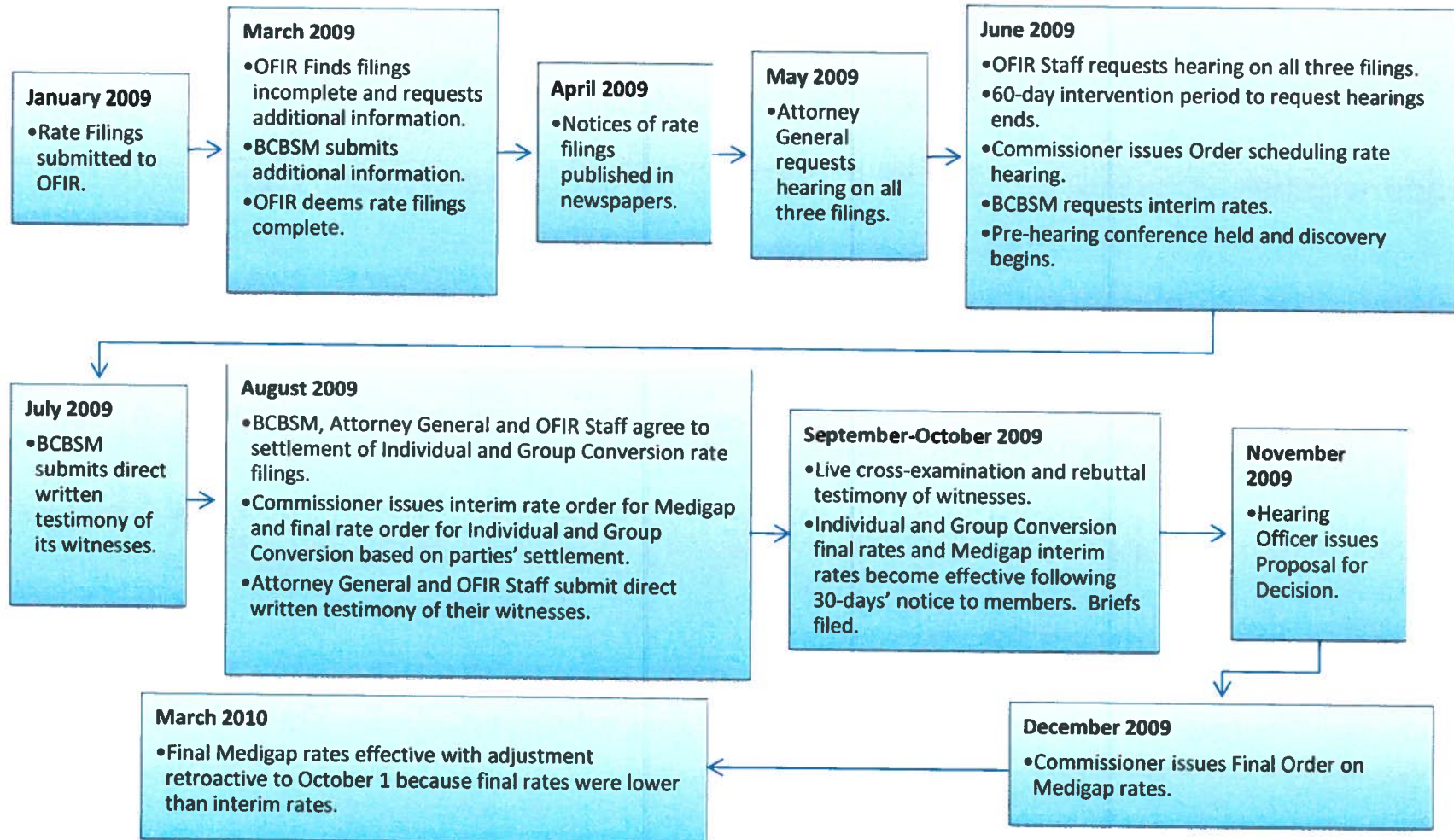
BCBSM 2007 Nongroup Rate Filing

Total days: 677



The Rate Filing Process in Practice: BCBSM 2009 Individual & Medigap Rate Filing

Total days: 395



PA 350 establishes a separate regulatory structure for BCBSM relative to other insurers

Individual Market Rules	BCBSM	HMOs	Commercials
Medical Underwriting	None	11 months out of the year	Can deny coverage based on health status
Guarantee Issue and Coverage	Yes	1 month each year	None
Rating Factors	Community rated – majority; Age rated – limited	Age, gender, geography, occupation	Health status, age, gender, geography, occupation
Rating Bands	Community rated – none; Age rated – 4:1	No limit	No limit

Summary

- PA 350 of 1980 is outdated and creates an unlevel playing field for insurers.
- The market has shifted significantly since PA 350 of 1980 was enacted, and the regulatory structure should reflect these changes.
- We agree with the governor that PA 350 of 1980 should be modernized.
- We look forward to working with this committee to shape this change.

BCBSM's guiding principles for reform:

- Reform should allow BCBSM to remain a non-profit, Michigan based company
- Reform should allow BCBSM to continue our mission to expand access to affordable care and improve the health of the people of Michigan
- Reform should create a level-playing field within Michigan; where all insurers play by the same rules
- Reform should not negatively impact the strong relationships we have with our stakeholders

Questions?